3:Kemeny G-5 (1945-48)1951 EC1 Hungary EC1

In order to improve industrial production, the problem of foreign trade had to be tackled. Dislocation brought about by the war led to a complete breakdown of international trade. In 1946 the volume of imports as well as of exports amounted to about one-sixth of the pre-war level.

The efforts in securing raw materials scored some success. In 1947 imports were raised to about half of the pre-war volume, yet exports did not exceed one-quarter. There were remarkable shifts in the composition of foreign trade, reflecting the changed conditions. Imports appear to have been restricted to raw materials and industrial equipment, while manufactured goods figured as the main items of exports in consequence of the shortage in all kinds of farm products.

Two major factors (war losses and drought) affecting agricultural production have been mentioned. There was a third one, a direct consequence of the political landslide: the breaking up of the big estates and of the big holdings of which they mostly consisted. In their place several hundred thousand of new peasant holdings emerged.[1] This radical change, brought about by the land reform of 1945, inevitably caused a lessening of the marketable portion of farm produce. The land reform was bound to alter the old pattern of agricultural production. In its wake the preponderance of grain growing was expected to give way to a more diversified cultivation. Corresponding with these changes in the composition of production, the exportable surplus of cereals was destined to cease and was to be replaced by the products of more labour-intensive peasant farming. But the process of recovery in farming being necessarily slow, agriculture was overtaken by the extension of industrial production even before the Plan was started. Consequently farming lost its previous importance as a main source of exports.

Post-war reconstruction was to be achieved under unprecedented conditions. After the collapse of the Fascist regime, public services had to be rebuilt and work discipline restored under Russian occupation in a radically changed social atmosphere. Economic policy was bound to reckon with new developments in agriculture and industry as well as with the necessity of a reorientation of foreign trade. Last but not least there was the urgent task of halting inflation, as financial disorder attained proportions which endangered the entire social and economic fabric.

[1] This involved also the splitting up of production units, the large estates having been run mostly as large-scale farms and only exceptionally in the form of small tenancies.

7: Jaszi S-4, 5 (no date) 1946 EC1 Hungary EC1

Landholders Party received 2,688,101, the Social Democratic Party 821,566, the Communist Party 800,257, the National Peasant Party 322,988, the Citizens Democratic Party 78,522 and the Radical Party 5,762. The National Assembly comprises 409 members: the Small Landholders have 245, the Communists 70, the Social Democrats 69, the National Peasants 23, the Democrats 2. These returns reflect the present political forces in the country surprisingly accurately.

Of course, one often hears the assertion that the overwhelming victory of the Small Landholders Party was a result of the vote of feudal and capitalist reactionaries who had been dispossessed by the revolution and prohibited from building up a new party. Another explanation given is that the great strength of the Small Landholders Party was that it offered a chance to register a protest vote against the Russian occupation, which is, indeed, an enormous burden, especially for the rural population. However, both explanations are oversimplified. There surely was a considerable counter-revolutionary vote in the "conservative victory," and it cannot be denied that the long Russian occupation is both economically and morally unwelcome. The ghastly situation inside the country could hardly fail to make the latter so in any case. A plea for UNRRA help for Hungary states, for example, that there are 200,000 orphans to be cared for; that 400,000 children are suffering from rickets; that 17,000 of the children suffering from tuberculosis are without hospitalization or convalescent care, without medical supplies, proper nourishment, clothes or bedding; that there is not adequate food for nursing mothers, and no food or clothing for newborn babies; that surgeons are operating without anesthetics; that thousands of persons are dying as a result of the lack of insulin, penicillin, digitalis, sulfa drugs and other medicines; that there are no surgical dressings, iodine, X-ray films, or plaster of Paris; and that there were no warm clothes for the winter, not enough fuel and no supplies to repair the damaged homes. These terrible conditions are reflected in a continuous rise in crime.

Terrible as is this economic and hygienic situation, however, it is only a contributory influence in the political situation. The real cause of the success of the Small Landholders Party is that none of the Marxist parties could offer a real program to the peasants, the small bourgeoisie or considerable numbers of the intelligentsia — in short, to a majority of the country. The rigid

9: Eppstein S-4 (no date) 1945 EC1 Hungary EC1

fighting a difficult campaign in Southern Italy, and the half-hoped-for British landing in the Balkans did not occur. Soviet Russia was a different proposition in the eyes of the Government; and even Russia was still far from the frontiers of Hungary. The only Power on her doorstep was Germany. Meanwhile in the country the pro-German party redoubled its propaganda to show how terrible would be the results for Hungary of an Allied victory: Russo-Soviet influence over all Central Europe, Czech hegemony in it, a new and worse Trianon. Kállay could not make up his mind to do more than hesitate, and at last even his hesitation grew too much for the Germans. In March 1944, there was another crisis; more threats to the Regent, who yielded again. German troops marched into the country, Kállay took shelter in the Turkish Legation, a new and much more pro-German Government took office and once again, as after Teleki's suicide, the end of the period of double-dealing was proclaimed.

NAZI DOMINATION AND THE SHADOW OF DEFEAT. Of course, it was not the end. The new men had their way for a time. The leaders of the Left were interned, the Labour movement brought under new Fascist control, the Press disciplined. Above all, a violent persecution set in of the Jews, to whom the earlier governments, even Bárdossy's, had allowed a degree of freedom and protection unparalleled in German-controlled Europe. In a few short, dreadful weeks the Nazi's Hungarian henchmen inflicted fearful sufferings on the Jews, undoing all the good which their predecessors had

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done for Hungary by their relative decency. But soon, once again, as so many times before, Hungary was repenting at leisure what she had in haste committed, or allowed to be committed against her. Soon she was back in her old position of longing for a way out but not daring to take a decisive step.

The longer the Hungarians hesitated, the worse the position grew. Our declaration of war on Hungary had already placed that country in the position of an enemy versus a friend, as regards the frontiers with Czechoslovakia and Yugoslavia. Only with Rumania had the position been any better for Hungary, for although the British had not recognized the Vienna Award, Rumania had been an enemy to Britain equally with Hungary. But on 23 August 1944, Rumania at last accepted terms offered to her from Moscow some time previously, and these included recognition of the injustice of the Vienna Award. Now even Rumania was with the Allies; Hungary was left almost alone, surrounded by enemies and facing inevitable defeat.

CAUGHT IN THE TOILS. In this situation, the Regent's obstinate fear of Bolshevism at last yielded to the persuasion of more far-sighted advisers, and on 15 October 1944, Hungary was startled by a sudden, unheralded proclamation in which the Regent announced that he had asked the Allies for an armistice and had issued orders to the Army to cease hostilities. There was wild rejoicing among much of the war-weary people; but it was soon checked. The Germans, through their agents, had been precisely informed of what was afoot.

9: Eppstein S-4 (no date) 1945 EC1 Hungary EC1

They occupied Budapest with German and pro-German Hungarian troops, seized the Regent and, after issuing in his name a recantation of his proclamation and a deed of abdication, carried him off to Germany in 'protective custody'. Under their armed patronage the 'Arrow Cross', a band of fanatical extremists, seized power. They were headed by an ex-officer of Armenian descent named Szálasi, who proclaimed himself 'Leader of the Nation' and issued the order to fight to the last. Although the Arrow Cross comprised only a small minority of the people, it was able, with German help, to suppress resistance in the capital and in West Hungary; the fight went on, while behind the line, the Germans hurriedly stripped the country bare. Corn, cattle, the contents of stores, warehouses and shops, machinery, even workers, where they could be induced to move, were hurriedly transported to Germany.

Meanwhile, the Russians advanced swiftly. Soon they were at the gates of Budapest and by Christmas had encircled it. A frightful battle now took place. The Germans, whose only care was to gain time for the construction of new defences in the Reich itself, defended Budapest street by street, house by house. They were helped by raw, fanatical levies of the Arrow Cross, some of the men desperate refugees, and a few factory workers, affected by the very Radical character of the Government's propaganda, and a few units of the Hungarian Army. Meanwhile, the wretched population, swollen by refugees to nearly 2,000,000, starving and deprived of light, heat and even water, lurked in cellars waiting for the end. When at last

9: Eppstein S-4 (no date) 1945 EC1 Hungary EC1

the capital was cleared of its defenders, what had been the pride of generations of Hungarians, was a mere smoking heap of ruins. Of all the capitals of the belligerents, on either side, not one, except only Warsaw, has suffered so dreadfully as Budapest.

THE PROVISIONAL GOVERNMENT. But the last act of this tragedy was not altogether without hope. Even while Budapest was undergoing its death-agony, news came from Debreczen—the historic city of Eastern Hungary in which Kossuth had proclaimed the separation of Hungary from Austria in 1849—that a new Provisional National Assembly, elected by local Resistance Councils and the liberated towns and villages, had met and had appointed a Provisional Government. The most prominent figures in it were high serving officers, two of whom had crossed over to the Russians in obedience to the Regent's proclamation of 15 October 1944, while the third had headed the armistice delegation to which the proclamation referred. The other members of the Government were drawn chiefly from the democratic and pro-Allied parties, which under the recent regime had been working underground, preparing for such a day as this. There were Smallholders, Social Democrats, Communists and some progressive non-Party men, including the son of Paul Teleki, who had committed suicide in 1941 in the hope of saving his country.[1]

[1] The reported composition of the Government, which certainly seemed representative enough, was as follows: *Prime Minister*, Gen. Bela Miklós de Dálnok (a Transylvanian Szekler not hitherto known in politics); *Under-*

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The Government announced a programme of democratic and social reform, the restoration of the old liberties suppressed by the previous tyrannies, the repeal of anti-Jewish laws and the introduction of a radical land reform and of other urgent social measures.

At the same time, they accepted the consequences of defeat. War was declared on Germany. A new delegation went to Moscow and received from the Allies armistice terms which pledged Hungary to renunciation of whatever temporary gains of territory she had made at the expense of the United Nations, and to reparation for the losses which her policy had inflicted on them. A new army was to help Hungary to 'work her way home' by joining in the common fight against the remaining enemy.

CONCLUSION

The Provisional Hungarian Government promised to make a new start. It broke with Germany and with the policy of aggression. It promised to seek a peaceful and friendly relationship with the

Sec. of State, Rev. Istvan Balogh*; *Foreign Affairs*, János Gyöngyössy* (Smallholders' Party); *Interior*, Francis Erdei (National Peasants' Party); *Justice*, Agoston Valentini (Social Democrat); *Finance*, I. Vásaly (Smallholder); *War*, General János Vörös* (former Chief of Staff; commanded troops in Russia); *Supply*, Gen. Gabriel Faragó; *Industry*, Dr Takats (Social Democrat); *Trade*, Dr Joseph Gabór (Communist); *Social Services*, Dr Erik Molnár (Social Democrat); *Education*, Count Géza Teleki (Conservative); *Agriculture*, Imre Nagy (Communist).

* The three members of the second Armistice Delegation to Moscow.

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made a series of attacks on the traffic points and military installations on the outskirts of the city.

Luxuries had, of course, soon become unobtainable for most of the people, but the supply of the necessities of life was fairly well maintained up to the summer of 1944. Clothes, other textiles and boots and shoes were in short supply but not absolutely lacking, and most of the essential foods were available in sufficient, although not luxurious, quantities.

But this position was only made possible by drawing dangerously on reserves and mortgaging the future. The fields were exhausted by over-cropping and under-manuring. The animal population had dwindled dangerously. The scanty stock of agricultural machinery, and even of ordinary implements and tools, had begun to run low and could not be replenished. Moreover, labour shortage on the land had become acute, in consequence of mobilization.

In the factories, much machinery was turned over to war production. This would need to be reconverted for peace production. There was little replacement of worn-out machinery for a full five years. The transport system was also getting worn out. There was a general and growing housing shortage.

But all this would still have left Hungary in a position which most Continental countries could have envied if the war had not reached her in the autumn of 1944. When it did come, it came very severely. The Soviet armies were able to sweep through Rumania. In most parts of Yugoslavia the fighting was on the guerilla scale, except along

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127 the main lines of communication. In Bulgaria there was practically no fighting at all. But in Hungary the Soviet armies had to fight for every yard of their advance, and so places where the Germans made their chief stands, above all Budapest, experienced all the horrors and destruction of the front line. To this must be added the wholesale spoliation of the country carried through in their retreat by the Germans and by that party of Hungarians who chose to evacuate Hungary with the retreating Germans, taking with them everything on which they could lay hands. Finally, the systematic destruction by the retreating armies of railways, bridges and other means of communications put the crowning touch on the economic ruin.

Another problem likely to prove a very acute one is that of refugees. When the Soviet armies began their advance across Hungary very many Hungarians fled before them, out of fear either of the Soviets, or simply of becoming involved in the fighting. They crowded into west Hungary, which they believed would be safe, and were overtaken there by the new Soviet advance. Some of these refugees will have returned to their homes once the fighting passed over them, but the end of the war, like the end of the last war, will bring a long-term refugee problem arising out of the return to narrower frontiers. Officials and their families, colonists and other persons who had made their homes in areas awarded to Hungary by the Axis, or seized in 1941, will need to make a fresh start inside the new frontiers. If it is decided to make an exchange of any minorities, e.g. with

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Rumanians, the number of persons needing re- 727
settlement in Hungary will be very greatly increased.

Even the reforms promised by the Provisional Government will need money, if they are to be real. There cannot be a solid working class unless it finds employment in the factories. Land reform, by general consent the most important measure of all, is not a cheap process. Leaving entirely aside the question of compensation for expropriated owners, the new peasant proprietors will need implements, stocks, seeds and credits. In many cases it will be necessary to build new houses and sometimes whole villages, with communications and services; for otherwise the land available for allocation would be useless to the recipients, as lying too far from their homes. Among the middle classes there is the devastation caused by the horrible destruction of the Jewish communities to be repaired.

The new Hungarian democracy thus starts its career under a heavy handicap. And it will certainly not be free from political difficulties inside the country itself. The loss of any war breeds bitterness, and the bitterness in Hungary, whose partnership with Germany brought her such substantial temporary gains taken from her once more by the United Nations, is likely to be considerable. There will be dissension and unhappiness, and the greater the severity of the settlement meted out to Hungary, the harder will it be for the new leaders to show that their course is the best in the interests of all.

The responsibilities, as well as the opportunities,

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from Romania (1890-1916). These imports gradually declined in importance as Austrian (Galician) and, to a lesser degree, Hungarian, crude oil production developed.

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Oil exploration until 1894 was on a small scale and was mainly of a local nature. Since no commercial deposits were discovered, from 1894 to 1907 the government granted small subsidies to encourage further exploration. In 1907 the government began to undertake its own exploration (geological surveying) and Section 6 of the Law of 1911 declared all natural hydrocarbons a state monopoly. Subsequently, numerous concessions were granted to Hungarian as well as foreign companies under this law.

Natural gas, which had found considerable industrial utilization by the end of World War I, was discovered in Transylvania in 1909.

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On the over-all economic scene World War I brought about a great upswing in industrial activities and some controls. During the artificial boom created by the war all basic industries were expanded greatly.

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The Treaty of Trianon, 1920, brought complete separation from Austria; it also brought the loss of more than two-thirds of Hungary's land area and some three-fifths of her population. The Dual Monarchy's tariff-free market of fifty million people was reduced to a market of little more than eight million. The lost territories included all the regions where oil and gas prospecting had taken place. Slovakia and Ruthenia in the north went to Czechoslovakia; Croatia, Bachka, and the Mura district in the south were incorporated into Yugoslavia; while Romania obtained Transylvania and adjacent areas in the east.

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The dislocations caused by the war, by the ensuing disturbances, and by the enormous loss of territory brought the whole Hungarian economy to the verge of chaos.

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In 1924 the government adopted a policy of high tariff protection for industry by which Hungary, like her neighbors, aimed at self-sufficiency.

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The "Billion Pengő Plan," officially known as the Five-Year Plan of 1938, was primarily a result of military considerations. Originally calling for an investment of one billion pengős, it was repeatedly revised upward until it reached 4.5 billion by 1943. Roughly three-fifths of the total funds were devoted to rearmament and to the heavy industries, while transportation and agriculture received one-fifth each. The plan was financed by a progressive capital levy and by government borrowing. It was carried out through the existing ministries by simply expanding their activities. A Ten-Year Plan for Agriculture calling for the investment of 100 million pengős annually was launched in 1942, but wartime dislocations prevented its realization.

By the spring of 1944 the power, aluminum, chemical, and oil industries had been considerably enlarged. The total Hungarian refining capacity was estimated as 3.5 million barrels annually before the territorial losses of 1920; as 1.5 million barrels in 1920; and was 3.2 million barrels in 1940. In contrast to this relatively modest development, by the spring of 1944, the total capacity had increased to more than 10 million barrels, only 710,000 of which were from refineries located in the temporarily recovered areas. The new plants at Pét and Szőny, which were built by the government within the framework of the Five-Year Plan of 1938, had a combined capacity of 3.6 million barrels; these plants alone considerably exceeded the total 1940 capacity.

During World War II numerous concessions were granted to German and Italian as well as domestic oil companies in the areas east of the Danube and in the recovered areas. These groups carried out extensive geophysical surveying and a few test wells were drilled. However, it was only in the Mura district, close to the Hungarian Zala fields that commercial discoveries were made. Small-scale production began in 1943. Two years later, in 1945, Yugoslavia recovered the district once more.

At the end of World War II the economy was once more at a standstill. In 1945 agricultural production did not reach one half of prewar production, while industrial output was only a fraction of that of 1938. Of 4,341 factories

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727 433 [434] only 186 were working at over 70 percent of prewar capacity, while 1,109, or over 25 percent, were completely out of operation. It is estimated that even in 1946/47 the national income was only 65 percent that of 1938 and less than 50 percent that of 1943, the peak war year. The Hungarian economy as a whole, and especially the industrial sector, heavily concentrated in Budapest, was among those most seriously damaged in Europe.

[458] The Soviet occupation, heavy reparations payments, general political uncertainty, and a runaway inflation in 1946 made the task of reconstruction even more difficult.

728 471 648 According to the Potsdam agreement all Axis property, even that which had been forcibly taken over by the Germans during the war was handed over to the Soviet Union. Subsequently, new Soviet-Hungarian companies began to mushroom in manufacturing as well as in transportation, and it was at this time that the Hungarian-Soviet Oil Company, Maszovol, was organized.

727 315 [471] While the Zala fields had escaped major war damage they suffered by the wasteful practices engaged in under pressure from German and later Soviet military authorities (see Table VII).1/ After prolonged negotiations the MAORT properties (all areas west of the Danube) were returned to the American owners in 1946.

727 178 471 A land reform and the nationalization of industries "with monopolistic character" such as steel and coal were swiftly carried out after the war.

[565] Land reform, nationalization without compensation, and the inflation of 1946 largely destroyed the propertied classes, and in the chaotic conditions a downward leveling also affected the skilled workers.

[642] 727 185 [665] By mid-1947 the communists within the coalition government had virtually eliminated any possibility for non-communist government plans, and for all practical economic purposes the communists were in control. Dictated by the realities of the prevailing postwar conditions, certain

1/ [Cf. page 88, category 116 -- Analyst]

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basic factors would have made some postwar government planning imperative under any government. There was the urgency for the reconstruction of the badly damaged and dislocated economy; the required prompt delivery of large quantities of reparations goods to the Soviet Union, Yugoslavia, and Czechoslovakia under the terms of the peace treaty; radical economic changes due to the elimination of Germany as a trade partner and the emergence of the Soviet-Hungarian mixed companies; and the industrialization of the country as already envisaged by the prewar governments.

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The communists, of course, desired and proposed state planning along their own lines, to fulfill the above conditions, their ultimate political and economic objectives being the transformation of Hungary into a "socialist state on its way to communism" and the integration of the Hungarian economy into that of Soviet Russia. Having nationalized the basic industries, having eliminated the domestic "capitalist" class, having destroyed all Western confidence in Hungary's credit, and having rejected participation in the Marshall Plan, the Hungarian government had to embark on large-scale planning of its own.

The Three-Year Plan of 1947

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The relative position of the Hungarian oil industry can only be evaluated in context with the over-all economic picture, which was drastically affected by postwar state plans. Accordingly, while the oil industry was not of paramount importance, and while much pertinent and accurate data relating to the oil segment of the economy is not available, the main features, objectives and achievements of the Three-Year Plan must still be outlined.

The Three-Year Plan of 1947 was the result of plans submitted to Parliament in the fall of 1946 and in early 1947. Formally accepted in July and launched in August of 1947, it aimed at raising the national income 14 percent above prewar but still below that of 1943. It

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RECENT DEVELOPMENTS

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Due to the rapid collapse of the German defense system in March 1945, the Zala fields were relatively intact when the Red Army reached them. The gasoline and repressuring plants at Lispe and Lovászi, however, damaged by air raids, had not been completely repaired, and the pipelines were also broken in several places. The Red Army immediately began reconstruction using forced labor.

In August 1945 the MAORT properties were theoretically returned to their American owners, but the Russians did not permit the American directors to return to Hungary until several months later.

In spite of strong protests by the American Military Mission in Hungary, and later by the State Department, the Russians retained control of the fields until February 1947, when the Hungarian peace treaty was signed, using MAORT oil without paying for it; further, they removed trucks, drilling equipment, and even telephone wires from the oil fields.

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Since all German assets in Hungary were ceded to Russia under the Potsdam agreement, they also sought strenuously, though unsuccessfully, to establish that Germans had obtained an interest in MAORT during the war. They also sought to bankrupt the company by fixing ridiculously low prices in violation of the 1933 Eurogasco contract, paragraph 2 of which provided that failing agreement between the government and the company (as to the price of the oil), "the selling price of the above-mentioned crude oil shall be the market price corresponding to the

lap; none of it was given for nothing; none of it was obtained quickly, from one day to the next. He had to fight for this kind of life; it demanded self-discipline, hard work and a determined struggle against obstacles and difficulties.

What he had to do, however, he did not have to do alone but together with the others, with the entire country. Like the exciting scenes of a film drama, across his mind race the various incidents in the history of this small nation since its liberation.

This is No. 1 Peace Avenue, where Mr. Gergely has his apartment.

When the roar of the guns subsided and the people of Budapest came crawling out of the cellars, the first task was to clear away the ruins, the marks of the devastation caused by the war. Then they could begin reconstruction. They had to rebuild ruined factories, plants, machines, replace losses —the Nazis had taken away everything that was movable — produce coal, iron, raw materials; start transportation; produce, work and struggle against the enemy, who did their best to bring back the past, the oppression of the working class, and the wealth acquired without work by the privileged few.

Ferenc Gergely's face darkens when he remembers the terrible chaos of inflation, when the wages received for a week of hard work scarcely paid for two pounds of sauerkraut. The horse-dealers, stock exchange sharks, black marketeers and speculators lived like kings and spent their

14: Evans S-3 (1950) 1953 EC1 Hungary EC1
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The Churches and Fascism

On the Catholic side there was the long tradition of power, privilege and wealth, but together with it many of the monks and lower clergy made considerable contributions to Hungarian education. Such national feelings as there were among the lower clergy were, however, completely overwhelmed by a hierarchy which stood for union with Austria and for the House of Hapsburg. This important tendency was rightly noticed in a publication issued by the Foreign Office to its staff during the war, and now available in the British Museum, which stated that " the Roman Catholic Church tends to legitimism."‖

The wartime record of the Hungarian churches was a mixed one. The Horthy dictatorship, which was a part of the Rome-Berlin Axis, had found a willing ally in the Catholic Church. The Church acted as one of its chief spokesmen, particularly among the poor of the villages. Subservience to the existing state of things (large feudal estates and millions* of landless beggars) and bloodcurdling tales of the Red Bogy had been preached from the pulpits on behalf of a narrow ruling class and its foreign friends.

Generally speaking, the attitude of the Catholic hierarchy was that of the ruling class, prepared to co-operate with Hitler to the degree to which Hungary might gain from the process but expressing dissatisfaction when the process was reversed, and the result was that certain voices were raised within the Catholic Church expressing dissatisfaction with the racial laws and, after 1943, talking of Hungary's " craving for peace."

It was for reasons of this kind that eventually some of the Church leaders, Catholic and Protestant, were put under restraint by the Germans although they never at any time made any protest against Hungary's part in the war against the U.S.S.R.; indeed, Catholic newspapers criticised Great Britain for making an alliance with " atheists." Some of the Protestant opposition was, however, more far reaching and it was during the war that the influence of the anti-Nazi Karl Barth grew by leaps and bounds, and not a few of the Protestant ministers opposed strongly the deportation of the Jews.

When, eventually, the Soviet Army liberated the country the Ecumenical Press Service (December, 1944) reported:—

" At Cluj a delegation of Russian officers paid a visit to János Vásárhelyi, Calvinist Bishop, informing him that he could continue to officiate unhindered. Simultaneously the Moscow Radio broadcast an appeal to the Roman Catholic priests and Protestant pastors in Hungary to continue their work. Fleeing from the country the Germans took away everything movable and burned historic buildings. At Kecskemét two colleges were

‖ The idea of restoring the Hapsburgs.

* This sounds exaggerated but it is true. There were 3,000,000 landless peasants.

destroyed, while Debrecen, bulwark of Hungarian Calvinism, lay in ruins, including the famous Great Church. The 700-years-old Calvinist College remained intact and the Provisional National Assembly held its first meeting within its walls. We learned that the Jews were last put to work on fortifications at Budapest and Vienna. A strong protest was made to Regent Horthy against the inhuman deportations. Under ecclesiastical pressure these were discontinued after July 1, but they were resumed under Szálasi, who ordered not only Jews but everyone unfriendly to Hitlerism to be deported. Szálasi and the Gestapo began proceedings against all Calvinist priests who raised their voices on behalf of the persecuted Jews. The 400-years-old College of Sárospatak succeeded in preserving the Jews' wealth, school-books and ecclesiastical robes."

Nevertheless, from the end of 1942, when a united front against Horthy had been formed which opposed the war against the Soviet Union, it had included Catholic laity if not clergy, and Protestants, and when the first National Assembly met again in the Calvinist College in Debrecen in 1944 the Provisional Government had extremely strong Protestant backing, particularly from the Calvinists, who provided one of the Vice-Presidents of the Assembly.

Liberation and After

After the Liberation the church situation in Hungary rapidly crystallised. To understand it, three points need to be noted:

The first is the attitude of the Government, which is effectively summed up in the Constitution adopted by the National Assembly on August 18, 1949, Article 54 of which states:—

1. "The Hungarian People's Republic guarantees the freedom of conscience of the citizens and the right to exercise their religion freely."

2. "In order to be able to assure freedom of conscience the Hungarian People's Republic separates Church from State."

To this might be added an extract from a speech made by the Deputy Prime Minister, Mr. Rákosi, on April 25, 1948, at the time of the controversy on the nationalisation of schools:—

"I must speak of one of the unsolved problems of democracy, that of relations between democracy and the Church. As everybody knows, Hungarian democracy stands for the most complete freedom of religion. Communists especially have voiced this since the first moment of the Liberation; and, of course, we have not only voiced it but have also lived up to it. Even to-day we do not think otherwise. In this connection allow me to mention one fact. For May 1 we shall provide bronze for casting church bells for 778 parishes. In so doing the Government is fulfilling a promise made for the centenary* year.

* Centenary of the 1848 revolution, which sought to obtain Hungary's independence from Austria.

20: Gyorgy S-4 (no date)1947 EC1 Hungary EC1

Postwar Hungary

By Andrew Gyorgy

Since the end of military operations Danubian Europe has been undergoing a social and political upheaval in which, paradoxically, both Communism and a resurgent nationalism seem to be powerful elements. The most significant contributing factor in this atmosphere of political unrest is the all-too-direct domination of the Soviet Union whose policies are guided by conflicting motivations and divergent objectives, results of the flexible strategic and economic considerations of the Kremlin.[1]

Hungary today is in a more precarious position than any of her Danubian neighbors. Hungarians have not fought heroically for liberation as have the Yugoslavs, nor do they enjoy the political prestige Czechoslovakia accumulated through the democratic experience of twenty years. Hungary has no oil, no significant trade-routes, no vital strategic lines of communication as do Rumania and Bulgaria, no well-defined political boundaries which also afford strategic defense, as in the case of Turkey. In view of all these strikingly unfavorable facts and developments, Hungary's present-day hopes and future aspirations are of necessity aimed toward "a well consolidated domestic policy motivated and vitalized by the momentum of radical reform policies."[2] It is the purpose of this article to show the steps taken in the political reconstruction of post-World War II Hungary as well as the forces working against it.

On February 1, 1946, an official proclamation by the first democratically elected National Assembly unanimously terminated the 945 year-old Hungarian monarchy and declared Hungary a republic. With the simultaneous emergence of a fairly representative and ideologically

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* This article, completed before the Communist putsch of late May, 1947, remains timely as a description of the methods used by a Communist minority to seize power. —THE EDITORS.

1 Soviet policies in Danubian Europe center around three major objectives: 1) to prevent the use of Danubian states as bases for future aggression against Soviet territory; 2) to achieve farreaching social reforms in most of these countries; and 3) to compensate the Soviet people at the expense of the vanquished, who will be forced to contribute heavily to the economic reconstruction of the Soviet Union. Cf. "The Danubian States, Soviet Aims in South-East Europe," *The Times*, London, Nov. 11, 1946, pp. 5 ff.

2 Cf. István Bilbó, "A Magyar Demokrácia Válsága, (The Crisis of Hungarian Democracy)" in *Valóság*, October-December, 1945, p. 39.

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With the liberation of Hungary came the task of restoring the equilibrium of constitutional life and of basic political institutions. Budapest was still under siege when a new provisional government in Debrecen set about reconstructing the country's political life. In December, 1944, elections for a Provisional National Assembly were held in the liberated territories with decidedly favorable results for the Smallholders and Social Democrats. The new National Assembly swiftly confirmed a Provisional Government which succeeded in keeping itself in political power for about a year, thus bridging the constitutional gap created by the utter political confusion of the first few "post-liberation" months.[4]

In 1945 a new electoral law prepared the way for a decisive national election. The new law assured the right of vote to every Hungarian citizen over the age of twenty, regardless of education, religion, sex or social standing. The first election after the liberation of the country was held under the new electoral law and generally conformed with the recent democratic orientation in offering not only a wide franchise but also a choice among six political parties ranging from Conservative to the ubiquitous Communists. The most significant constitutional step in the establishment of a democracy was undoubtedly the inauguration of a Hungarian Republic.[5] The new Law, No. I-1946, on "Hungary's Form of Government" gives an interesting and forceful background-picture of the new Republic. According to the preamble the power of the State rests with the Hungarian people who exercise their legislative authority through the democratically elected National Assembly. The basic document also states that "the republic guarantees to its citizens the natural and inalienable rights of men." On paper this law unde-

4 This provisional government represented all the parties which had taken part in the national resistance movement up to the time of the collapse of the country after a period of German occupation. A detailed party-breakdown of this provisional government headed by General Béla Miklós of the Hungarian Army, shows the following picture among the members of the Cabinet: 3 Social Democrats, 3 Communists, 2 Smallholders, 2 Conservatives, 2 Army Generals who were members of the first Armistice Commission to Moscow when the Horthy Government, in its last desperation, was negotiating for peace with the Red Army. It is interesting to note that of the two portfolios given the Smallholders Party, one was the all-important Ministry of Foreign Affairs while the portfolios of the Communists included the bases of economic reconstruction, trade, agriculture and communications.

5 A series of conferences and meetings held in January, 1946 among members of Hungary's leading political parties decided on the abolition of the Monarchy and on the establishment of a Hungarian Republic. These decisions were later endorsed by the new Hungarian National Assembly in its first parliamentary sessions. Cf. issues of the Hungarian daily, *Magyar Nemzet*, for January and February, 1946. Also John Haire, "Hungary Today," *New Statesman and Nation*, Nov. 10, 1945, pp. 314-315.

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642 niably contains all the elements inherent in a constitutional, republican, representative democracy. In the words of one writer, they "sound like the Bill of Rights and the Four Freedoms rolled into one,"[6] and include personal freedom, right to a life free from oppression, freedom from fear or want, free expression of thought and opinion, free exercise of religion, freedom of assembly and association, right to personal property, to personal security, to work, to a livelihood, to free education, and the right to participate in the life of the state and in local government.[7]

There are no *constitutional* impediments in Hungary to the "free and unfettered" practice of political democracy, although factual developments have seldom corresponded to legal documents. Governmental powers are satisfactorily outlined in the text of the laws and carefully separated from each other; the National Assembly possesses all legislative power, while executive authority rests with a cabinet of ministers responsible to the Assembly. The President, as head of the Republic, is elected for a four-year term and cannot be reelected successively. The President's official functions are carefully limited by law and include such powers as the appointment of a Prime Minister, confirmation of Cabinet members, and the appointment of diplomatic envoys. The President has the right of vetoing legislation passed by the Assembly, but if the same law is passed again, he is obliged to sign it. He can be impeached by the Assembly for violations of the law or of the constitution.

641 These broad constitutional outlines were subsequently limited by restrictive legislation. A governmental decree, published in June, 1946, provided that the right of supervising political associations shall be exercised by the Minister of the Interior.[8] Simultaneously a law on *The Defense of Hungarian Democracy* defined as criminal any incitement against the republican form of government, against a race or religion, against the equality of all citizens, and in general, any infringement of 687 specific civil liberties. This defense law has since served as the constitu- 727 tional basis for war criminal trials in Hungary. Its provisions were invoked in setting up the juridical procedure for the People's Courts and

6 George A. Lanyi, "Hungary Aims at Liberty For All in Republic," *The Christian Science Monitor*, Feb. 5, 1946, pp. 1 and 6.

7 Cf. Public Law No. I, officially published on May 27, 1946, under the title of *Act on the Protection of Human Rights*; official translation by *Hungarian Legal News Service*, Budapest, Aug. 1, 1946.

8 Decree 7300/1946 M.E., published June 28, 1946, H.G. 144.

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the People's public prosecution of all war-crimes against the Hungarian nation.

Actually trials of war-criminals were started soon after Hungary's liberation was completed. Only the trials of certain major offenders bear any relevance to strictly constitutional or political issues. The trial of Béla Imrédy, former Premier heading the impressive list of "criminals against the Nation," focussed world-wide attention on the dual problems of individual war-guilt, and legal responsibility for aiding and participating in Fascist aggression. In an emotionally eloquent indictment speech, Zoltàn Horvàth, a Social Democratic political solicitor, clearly stated that the former Premier and acknowledged leader of various factions within the notorious "Arrow Cross" movement would have to face personal responsibility for many of Hungary's disasters. "From anti-Jewish legislation to the concentration camp of Auschwitz, from the Anti-Comintern to the ruined bridges of Budapest, from economic surrender to the complete plunder and eventual ruination of the country, there is a single straight line connecting the two terminal dates, 1938 and 1945. Imrédy was the prime instigator, self-appointed apostle and legislator, the most insistent advocate of all these political moves."[9]

For over a year the People's Courts were kept busy sentencing individual political leaders who played prominent roles in Hungary's most reactionary period. Former Cabinet members, public servants, diplomatic representatives and newspapermen were purged in a continuous flow of swift and efficient trials. While public opinion generally accepted the constitutional and political necessity of liquidating such prime war-criminals as Imrédy and Foreign Minister Làszló Bàrdossy, lately a quiet resentment, a mute opposition has developed against the interminable series of war-trials. Critics of the present coalition government contend that the purge of war-criminals was originally conceived of and carried out in the spirit of a sincere and desirable political movement, but it has gradually degenerated into a sinister judicial farce where "the cry for

9 Cf. S. Szalai–Z. Horváth, *A Szociáldemokrata Párt Vádat Emel*, (Budapest, 1946) p. 38. Other war-criminal trials followed in the footsteps of the Imrédy case. Most fascist leaders of pre-war Hungary were sentenced to death by unanimous verdicts of the courts. Only recently was the death-sentence of András Tasnádi-Nagy revised by the court of appeal and changed to a life-sentence. Tasnádi-Nagy was the president of the Lower House of Parliament, a former Minister of Justice who served in various cabinets between 1939 and 1945, particularly in the Sztójay Cabinet of 1944. He was also President of the Parliament under the Hungarian National Socialists whom he eventually followed to western Hungary and to Austria in their last-minute flight. Cf. "The Continuation of War Criminal Trials in Hungary," *Neue Zürcher Zeitung*, Jan. 2, 1947, p. 2.

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fresh victims seems inexhaustible. The purge of the public services was scarcely completed when the demand was raised for new large-scale dismissals."[10] Recent guilt-trials have increasingly reflected the eminently vindictive, purely partisan motivation of Hungary's new ruler, the Communist Party, whose leaders have never hesitated to bare their extreme ideological bias, turning it offensively and indiscriminately against the champions of alleged political or economic reaction.

Political Parties and Domestic Politics

The composition of the first post-war coalition government corresponded roughly to the results of the country's post-liberation election. The number of votes cast reached almost five million; of these the Smallholders Party polled well over two and a half million while the combined votes cast for the Communist and Social Democratic Parties barely exceeded one and a half million. Obviously, the elections of November 1945 inflicted an undisguised and significant defeat upon the two extreme leftist parties, particularly on the Communists, while temporarily assuring the middle-of-the-road Smallholders Party of a decisive governmental majority. The Smallholders' victory was most overwhelming in Budapest where the ratio of Communist votes was even lower than in the rest of the country. The new coalition government was built around nine members of the Smallholders Party and four members each of the Social Democratic and Communist Parties.

Several unexpected political developments were in startling contrast with this first chapter of democratic renaissance. The constitutional significance of national elections was considerably deflated by the pre-election agreement of the three major political parties to continue their coalition *regardless of the results of these popular elections.* This partisan maneuver gave the Communists an opportunity to exercise undue power, also displayed a strange "ballot-proof" version, a disappointingly autocratic appraisal of the role of national elections in parliamentary forms of government. According to its official interpretation, the agreement "was absolutely necessary to maintain national unity. There were such serious problems to be solved that none of the parties could attempt to undertake the task alone. For this reason . . . the major parties of the Hungarian Independence Front have agreed to maintain the

10 Cf. J. O., "Hungary Between East and West," *The World Today*, May, 1946, p. 214.

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728 Reparations today include nearly all of the country's capital goods
648 production, and through the device of "joint economic collaboration" agreements Soviet control has penetrated all major phases of the economic structure. Particularly farreaching are the agreements in oil and bauxite production, in Danube shipping and in civil aviation. Capital and management are as tightly controlled as if these economic activities had been actually nationalized by the government.[45] Soviet occupational authorities also acquired majority holdings in banks, insurance companies, mining corporations and in most of the remaining non-socialized factories.

Summary

727 Hungary today is in the twilight zone of liberated states; her domestic politics are a mirror-like reflection of the fundamental tensions among the world powers. The post-war era has undoubtedly seen hopes for a real moral and economic transformation of the country spurred on by a series of significant, if temporary, liberal reform moves. Fair national elections resulting in a decisive Communist defeat and in an acceptable coalition government based on the Smallholders, a national party neither ultra-conservative nor revoluntionary,[46] a thorough land reform, a reasonably free press, a stabilized currency, and a moderately successful process of industrial nationalization were promising landmarks at the beginning of the road toward reconstruction.

727 Yet the forces responsible for these significant results were *swiftly*
669 *destroyed by the rising influence of the Communist Party which brought internal disruption and social crisis.* The triumphs of liberation were obscured by an oppressive and prolonged military occupation, and the coalition government gave way to Communist domination which reduced all other parties to silent and non-active partners. The land reform generated conflicts between Church and State as well as between the ex-gentry whose estates were expropriated and new peasant-landholders who now had property but no equipment. The newly won freedom of the press gradually disappeared as the political balance of power shifted and one party emerged as the final arbiter. The swift

45 Elaborate executive decrees were issued to give adequate legal basis to these joint agreements and to earmark the use of most industrial production for reparations. The first four decrees were issued in July, 1946 and consist of the statutes of the Hungarian-Soviet Shipping Company, the Masovol Hungarian-Soviet Crude Oil Company, the Hungarian-Soviet Bauxite-Aluminum Company and the Danubian Alumina Industry.

46 There was a considerable counter-revolutionary vote in the conservative victory of November, 1945, observes Oscar Jászi, but "it should not be forgotten that the Smallholders Party is not reactionary, nor even conservative, it is a progressive party in favor of social and cultural reforms." "The Choices in Hungary," *Foreign Affairs*, April, 1946, p. 462.

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nationalization of major industries led to similar social conflicts, resulting in the elimination of a former managerial class and in a tight system of production discipline.

Soviet propaganda also contributed its share to the tenseness of the political atmosphere. The Russians effectively destroyed a great deal of the original good will which the workers, peasants and intelligentsia felt for them after liberation. Today the Russians still consider themselves the "generous liberators" and are unable to understand the Hungarian people's ingratitude. After an initial period of incubation these tensions suddenly exploded in the dramatic *putsch* incident. The discovery of this reactionary plot, the widespread arrests of prominent Smallholders, the final undermining of the coalition government's authority and the call for new and unilaterally supervised national elections, all appear to be closely integrated, successive stages in a drive toward the establishment of a one-party dictatorship. In the dogmatic phraseology of a Communist editor, "The Soviet Union supports and effectively aids Danubian peoples in *settling for them their disputed problems in a friendly spirit.*"[47] These settlements seem to be of a final and decisive nature; arithmetical illusions such as popular elections, normal partisan politics and the coalition-spirit do not play any role in this governmental theory.

In foreign relations the recent *putsch* helped to clarify the Hungarian picture. The country's foreign political position is determined by her peripheral location in eastern-central Europe. The United States and Great Britain are forced to admit that in this area the Soviet Union has certain minimal claims to *economic* and *strategic* security. National planning, industrial recovery and financial stabilization are strongly encouraged in order to meet the enormous reparations and bolster up the impressive one-way movement of goods to the U.S.S.R. Following a broad interpretation of security, the Soviet has also compelled these neighbor countries to accept its choice of governmental personnel and methods of national administration. Thus the entire field of domestic affairs is subordinated to the dictates of foreign interests. Hungary has travelled a long and politically arduous road in the last two years; past the brief illusions of a renascent post-war democracy she is now apparently headed toward the more permanent status of a political and economic satellite nation.

47 Cf. Béla Fogarasi, "A dunai népek együttmükódése," *Társadalmi Szemle* (*Social Survey*), May, 1946, p. 354. (Italics mine.)

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105 Hungarian Empire had failed to bring about the establishment of a sound Danubian Federalism; instead, a veritable riot of competing national ir' rests had come into being.

669 Other sources of social disorder can be found in the events
175 which followed the close of the First World War. The fall of
• 727 the monarchy denuded the country of strong leadership. Democratic forces under the direction of intellectuals of integrity rallied to form a government; but many of them may not unfairly be said to have lacked experience in distinguishing between obtainable objectives and ideals beyond reach. Their government quickly succumbed to a bold experiment in Bolshevist tactics which was tried at the same time in Berlin and Bavaria. Under Béla Kun, an erstwhile insurance agent who had been a prisoner in Russia and was now the power behind the Hungarian scene, a program of ruthless repression and enforced socialization was inaugurated. Troops and police raided the opposition, and "revolutionary tribunals" imposed death sentences which, although they reached an acknowledged total of 585, were only a sample of what was to ensue twenty-five years later. However, Kun's endeavors fell short of success—in large measure because occupation troops, primarily French, were present and in control. That fact enabled a counterrevolutionary movement to get under way; and by 1920 its army, commanded by Admiral Nicholas Horthy, had
[642] gained the upper hand. The Allies refused to permit the return of a Habsburg to the throne, and so a new government was formed as a Regency. It had to deal almost immediately with excesses by armed bands seeking revenge who, before they were curbed, tried and executed more than 300 persons. They were also virulently anti-Semitic, alleging that a disproportionately large number of Jews had been associated with Kun's regime.

000 As a result of the Regency's efforts to effect a measure of